



Bulletin 2004-2  
Issued this 22nd day of June, 2004

**TO: ALL COMPANIES WRITING CROP HAIL INSURANCE IN MINNESOTA**

Each year the department issues a bulletin to address issues of concern for crop hail carriers and to remind them of the rate filing process. This year we have established the following guidelines. Accordingly this Bulletin supersedes Bulletin 2003-4.

1. Companies must file for the 2005 crop season only if they are making changes in their 2004 rating structure. If a company is not making any changes in its current rates, then it is not required to refile its rates. However, any changes must be filed.

If a company does file new rates, it may write no new business until the new rates are effective. New rates must be filed electronically (see item 8) and must be in our office prior to February 1, 2005. Send electronic filings to [Tom.Baker@state.mn.us](mailto:Tom.Baker@state.mn.us). The CROP HAIL INSURANCE RATE FILING FORM AND THE FILING CERTIFICATION FORM (both attached) must be used to make your filing. Please note companies are no longer to use the special format required in 2002 and prior to file rates. Questions about this bulletin may be addressed to Tom Baker, Manager, Property and Casualty Division at [Tom.Baker@state.mn.us](mailto:Tom.Baker@state.mn.us) or 651-297-2853.

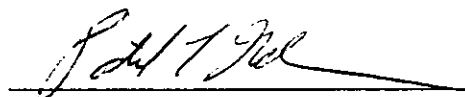
2. Companies must use loss costs developed by using meaningful statistics from a large database for a minimum of 20 years. Companies may deviate from the NCIS FALC by a maximum of 10% up or down. Any deviation greater than 10% requires actuarial justification based on credible experience.

If you do not use the NCIS crop and policy form factors, then you must document this in your filing and include a complete list of crop and policy form factors used by your company. You must also include support for the factors that you use.

3. Deviations in low liability townships and/or counties:
  - a. If the liability in a township is less than \$50,000, i.e., a low liability township, then you may judgmentally modify the FALC with catastrophe for that township to be consistent with the rates of adjacent townships. Your filing must identify all townships where you do this. You must explain why your proposed rate is better.
  - b. In the 2004 NCIS filing, com is factored off of wheat in com low liability counties where the wheat is not low liability and wheat is factored off of com in wheat low liability counties where the com is not low liability. The county low liability threshold is \$1,250,000. At your option you may extend this NCIS low liability procedure for wheat FALC to counties where wheat liability is up to \$10,000,000 provided that com liability exceeds \$10,000,000. (See Exhibit B, pages 10-11, of the 2004 NCIS Filing for a list of wheat and com liabilities by county.) For example, the wheat liability for Blue Earth County is 5,683,775 and the com liability is 433,872,260. The NCIS calculates the wheat FALC in Blue Earth County using the wheat experience alone. You may use the wheat FALC provided by the NCIS for Blue Earth County or you may set the wheat

FALC equal to 1.53 times the com FALC. Your filing must identify all counties where you choose this deviation option.

4. Minimum and Maximum FALCs: You may use minimum and maximum FALC by crop class on either a statewide or county basis. Your filing must specify and justify each minimum and maximum, and they should be balanced and reasonable. By balanced, we mean that the expected effect is revenue neutral.
5. FALC Multiplier: You must document the calculation of the company's FALC multiplier.
  - a. You must include a three-year expense statement itemizing Production Expenses; Taxes, Licenses and Fees; General Expenses; Loss Adjusting Expenses; and Other Expenses.
  - b. You may separate fixed from variable expenses and use an expense constant, but you must provide an analysis that identifies the different categories of expenses and demonstrates that the aggregate premium will be unchanged by the separation.
  - c. If you vary the multipliers by FALC, then you must provide an analysis to justify the different multipliers.
6. Discounts:
  - a. Cash discounts may not exceed 3% unless a higher discount can be justified. The cash must be paid by July 1 of the crop season to qualify for a 3% discount. Cash paid by August 1 can qualify a policy for a 2.5% discount. For a policy written after July 1 with a 3% discount, the cash must accompany the application to the processing office.
  - b. Large volume discounts will be allowed on a graduated scale, but only to an extent justified by specific expense savings. The savings must be identified in the filing. Your rules must also specify the eligibility criteria for the large volume discount. The discount must be applied to any account that is eligible (Minn. Stat. §70A.04, subd. 4 (2002)).
  - c. Claim-free discounts for crop hail coverage cannot be actuarially justified, so these discounts will not be allowed.
  - d. A discount will not be allowed on crop hail premiums if a Multiple Peril Crop Insurance (MPCI) policy is involved, unless convincing actuarial support is supplied.
  - e. Any other discounts must be actuarially justified and submitted over the signature of a member of the Casualty Actuarial Society.
7. Do not file Multiple Peril Crop Insurance (MPCI) rates or forms, either as a formal filing or a courtesy filing. MPCI is a federally regulated product that is not filed with the state.
8. When making your electronic filing please send a duplicate hard copy of the transmittal form with a \$75.00 filing fee to our accounting area. The department will match the hard copy with the electronic filing once we have received both of them. You will receive an email notice of acceptance of your filing.



Patrick Nelson  
Deputy Commissioner, Market Assurance Division

**Minnesota Department of Commerce**  
**Crop Hail Insurance Rate Filing Form**

\_\_\_\_\_  
Name of Company

Effective Date of Filing: \_\_\_\_\_

Overall Effect of Rate Change: \_\_\_\_\_

1. ☐ We have used the NCIS FALC with NO deviations.  
☐ We have used the NCIS crop and policy form factors.
2. Deviations - check all that apply:
  - ☐ We have deviated from the FALC a uniform \_\_\_\_\_%. (If this percentage is greater than 10%, then the deviation must be actuarially supported.)
  - ☐ We have deviated in selected low liability townships. A list of these townships and our justification for these deviations is attached.
  - ☐ We have deviated in selected counties where the wheat liability is low and have set the wheat FALC equal to 1.53 times the com FALC. A list of counties is attached.
  - ☐ We have used maximum and minimum FALC. A list specifying where we used these FALC and an exhibit showing that the effect is revenue neutral is attached.
  - ☐ We have used other crop and policy form factors. (Attach a complete explanation of the factors and methodology).
  - ☐ Other (Attach a complete explanation of the rates and methodology).
3. ☐ We have used a multiplier of \_\_\_\_\_ for all FALC. A three-year expense statement is attached.  
☐ We have used a multiplier of \_\_\_\_\_ and an expense constant of \_\_\_\_\_. A three-year expense statement and an analysis identifying the fixed and variable expenses are attached.  
☐ We have used different multipliers for different FALC. A description of the multipliers and the ranges is attached. An analysis identifying and justifying the expenses that vary by FALC is attached.  
☐ Other (Attach a complete explanation & analysis).
4. ☐ We are filing a cash discount of \_\_\_\_\_%.  
☐ We are filing a large volume discount. An exhibit identifying the savings is attached. The eligibility criteria are attached.  
☐ Other (Attach a complete explanation & analysis).

***State of Minnesota***

***FILING CERTIFICATION FORM***

***(Must be submitted with filing)***

***Date:*** \_\_\_\_\_

***Company GROUP Name:*** \_\_\_\_\_

***Company GROUP NAIC Number:*** \_\_\_\_\_

***Filing ID number:*** \_\_\_\_\_

***I certify that this filing complies with the requirements of Minnesota Statutes and Rules applicable to this product and the 2004 Crop Hail Bulletin.***

***Filing Analyst Name:*** \_\_\_\_\_

***Filing Analyst Signature:*** \_\_\_\_\_

***Responsible Officer's Name:*** \_\_\_\_\_

***Responsible Officer's Title:*** \_\_\_\_\_